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**IMPORTANCE OF REMITTANCES
FOR THE DEVELOPMENT OF
THE JAMAICAN ECONOMY:**

Issues of Sustainability

by

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ECONOMY:

Issues of Sustainability

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The views expressed in this paper are those of the author and do not necessarily reflect the views of the Bank of Jamaica.

**THE IMPORTANCE OF REMITTANCES FOR THE DEVELOPMENT OF THE
JAMAICAN ECONOMY: Issues of sustainability.**

Abstract

This paper seeks to examine the importance of migrants' remittances in the development of the Jamaican economy, while attempting to address the question of sustainability of these flows. The paper argues that while remittances have been important to the development of the Jamaican economy, heavy reliance should not be placed on these flows as their sustainability is uncertain. Greater emphasis will have to be placed on increasing the performance of major foreign exchange earners and on exploring new methods of earning foreign currency. Policy makers will have to continue the pursuit of macroeconomic policies which are necessary for economic growth and development .

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INTRODUCTION

Over time, there has been a movement of both skilled and unskilled individuals from less developed countries to more developed countries in North America, Europe and oil the producing countries of the Middle East.¹ These migration flows have been influenced by a number of factors including, relative wages, demand and supply of labor and social conditions of sending and receiving countries.²

A substantial portion of the literature on international migration is focused on addressing the economic and social implications of manpower transfers, for labor-exporting and receiving countries. Issues explored include the effect of human capital movements on growth, development and the balance of payments positions of economies. One general thought emanating from the literature is that migrants' remittances have contributed to an improvement of the standard of living, provided finance for balance of payments support and aided economic growth and development of labour-exporting economies. As such, migrants' remittances are noted to be very important to these economies.

The objective of this paper is to examine the extent to which remittance inflows have contributed to economic growth and development in Jamaica. The paper also seeks to address the issue of sustainability of these inflows and argues that remittances have played an important role in development by increasing the welfare of Jamaicans, providing balance of payments support and by making contributions to economic expansion. It contends, however, that although remittances have been important to the Jamaican economy, heavy reliance should not be placed on these flows as their sustainability is uncertain.

In the first section of the paper, aspects of the literature are reviewed outlining a conceptual framework for remittances. The second section discusses the evolution of the Jamaican economy

¹ According to Sadek Wahba, after the 1973 oil crises labor from different countries including South and South East Asia migrated in great numbers to the oil-exporting countries of Middle East. For example the number of Pakistani migrant workers increased from approximately 500,000 in 1975 to 1.25 million in 1979.

² Sending country means country of origin of migrants, while receiving country means country of destination.

focusing mainly on the period 1962 to the 1996, while the third examines the contribution of remittances to the development of the economy. The likely determinants of remittance inflows to the Jamaican economy and the issue of sustainability of these flows are examined in section four. Section five examines policy implications and summarizes the main arguments of the paper.

1. LITERATURE REVIEW

As defined by Wilbert Bascom, in a broad sense remittances are "..... transfers made from earnings and/or accumulated stock of wealth by individuals who are residents in a foreign country on a temporary or permanent basis.... to their countries of origin for dependent support, investment or any other purpose."³

From a balance of payments perspective, remittances can be classified in three main categories. The first category relates to unrequited private transfers which are defined as private flows to or from residents of ~~the~~ economy from or to residents of another economy, for which no quid pro quo is provided. These flows include cash transfers such as pension payments, funds for family maintenance, gifts etc. Non-cash transfers such as food items for disaster relief, and non-financial assets such as household items transferred to home economy by returned migrants are also types of unrequited private transfers. This category of remittances is treated in the current account of the balance of payments statement. The second category relates to savings or other portfolio investments of migrants in home country. These types of remittances are treated as private capital inflows in the capital account of the balance of payments. The third category relates to that portion of seasonal workers' income which is remitted to home countries and is treated in the current account. It should be noted that remittances recorded in the balance of payments accounts often

³ Bascom, Wilbert O, (1990), "Remittance Inflows and Economic Development in Selected Anglophone Caribbean Countries."

represent only a portion of total flows as unofficial methods of remitting funds are sometimes used.⁴

The literature on migration covers a wide range of issues. One of the issues that the literature has attempted to address relates to the forces propelling individuals to remit a portion of their wealth to dependents or institutions in home country. Oded Stark in a paper dealing with migration in LDCs observes that "... recent research indicates that portfolio investment theory might hold the key to understanding why people migrate in developing economies and why they remit their earnings."⁵ Based on portfolio investment theory, a family's need to stabilize income will result in family members migrating such that their earnings portfolio is diversified. This dispersion of the family's labor assets will serve to reduce income risks associated with individual labor markets in that after migration individuals will pool incomes. According to Stark, the pooling of income acts as co-insurance such that as a unit the family can increase its income. Hence, the flow of remittances "is not a random by-product of migration ..., but an integral part of a family's strategy behind migration." Another view is that migrants will remit based on what is called the migrant's return expectation. As long as migrants expect to return to home country they will continue to act such that they have an impact on home country by continuously remitting resources.⁶

In the literature it is pointed out that an overvalued currency or parallel exchange rates will result in remittances flowing through unofficial channels, if the difference between exchange rates is greater than the cost of using the parallel market. With the existence of a parallel market, individuals in an attempt to maximize the nominal value of the funds remitted will bypass the official channels.⁷ This means that the recorded level of remittances will decrease. Other factors likely to result in the use of unofficial channels are a relatively unstable or 'unsafe' financial system in migrants' country of origin or remittance restrictions in host countries. These factors, however, should not result in a change in the level of actual remittances.

⁴ Examples of official methods of remitting funds are wire or electronic transfers through the banking system, postal system or remittance companies. An example of unofficial methods is the forwarding of funds by way of an individual who is visiting home country.

⁵ Stark, Oded (1991), "Migration in LDCs: Risk, Remittances and the Family

⁶ Rubenstein, Hymie, "The Impact of remittances in the Rural English-Speaking Caribbean"

⁷ See Wahba, Sadek (1991), "What Determines Workers Remittances?" page 42. See also Bascom page 5.

There are several factors that may influence the level of remittances. The main ones highlighted in the literature are interest rate differentials between labor exporting and labor receiving countries, the number of migrants abroad, immigration policies, the earnings or accumulated wealth of migrants, and economic conditions in both countries. For example, migrants who are seeking to diversify their investment portfolio will remit to their country of origin depending on the interest rate differential between both countries, exchange rate risk and financial systems risk.

According to Anand Chandavarkar, remittances represent a "...substantial proportion, and one of the fastest growing components, of foreign exchange earnings" of many developing countries⁸. This has been shown to be the case for labor-exporting countries of Asia⁹ and for many other countries including those in the Caribbean region.¹⁰ Research on Caribbean migration seems to suggest that the predominant destinations for Caribbean citizens have been North America and the UK. It also observes that remittances to the Caribbean region have been relatively large and have been important to these economies. As implied in a 1994 research paper by Raul A Hinojosa-Ojeda et al, in the early 1990's remittances to the Caribbean region from the USA alone exceeded US\$2 billion per year, representing an annual average of US\$1,163 per Caribbean migrant residing in the USA.¹¹ As observed by Wahba, in the Middle East, subsequent to the oil crises of 1973, there was a mass movement of labor from countries in the region to the oil-exporting countries. Resulting from this surge in migration was a dramatic growth in remittances to the labor-exporting countries in the region up to the mid-1980s. He noted that these flows became an important element in the balance of payments of these countries.¹²

It is maintained in parts of the literature that the contribution of remittances to the balance of payments position of labor-exporting countries is only one aspect of remittances' contribution to growth and development. Remittances can also be beneficial to labour- exporting countries in

⁸ See Chandavarkar, Anand (1980), "Use of Migrants Remittances in Labor-exporting Countries", page 36.

⁹ Athukorala, Premachandra (1992), "The Use of Migrant Remittances in Development: Lessons from the Asian experience", page 512

¹⁰ See Rubenstein

¹¹ Hinojosa-Ojeda, Raul (1994). "Regional Integration Options for Central America and the Caribbean After NAFTA", page 12

¹² See Wahba, page 42.

that they help to reduce foreign exchange constraints and add to the net international reserves; serve as potential sources of savings and investment capital; allow for the import of capital goods and raw materials for development; add to household incomes and consequently, raise the standard of living of recipients. Bascom in his paper states that it has been found that remittances to Anglophone Caribbean countries have been used to purchase food, clothing, shelter, household furnishings, agricultural land, small business, transportation vehicles, livestock, and to finance education and travel.¹³ With regards to the contribution of remittances to household incomes, it is argued in parts of the literature that their impact on the long-term growth of economies will depend on how these funds are used. Also, it is contended by some researchers that a large portion of remittances has been used for consumption in some economies, and to this end are non-productive. It is argued by others, however, that as long as consumption leads to an improvement in the welfare of the countries' human capital then the use of remittances in this manner is not non-productive. Also, to the extent that an increase in consumption financed by remittances helps to drive demand for domestic products, the use of remittances in this way is productive.

There are costs associated with these flows. As outlined in Bascom's paper, these flows are unpredictable; they are spent on consumer goods, which increase demand and inflation and if consumption demand has a high import content, they will help to escalate balance of payments problems.¹⁴

The conclusion that a number of researchers have arrived at is that remittances as a source of financing for economic development in labour-exporting countries has remained unexploited. Chandavarkar, for example, contends that given the transitory nature of remittances, labour exporting countries should examine "how best to use these remittances so that they make an appropriate contribution to the growth of their economies." Bascom maintains that for Anglophone Caribbean countries, migrants' remittances have been an "unexploited source of economic development financing." He proposes that officials of these countries recognize that they are in competition with the rest of the world for financial resources and put measures in place to make

¹³ See Bascom, page 6.

¹⁴ See Bascom, page 7.

domestic financial markets more attractive and efficient to induce more of the investment portions of migrants' remittances.

2. DEVELOPMENT OF THE JAMAICAN ECONOMY

1960'S - 1990'S

2.1 MACROECONOMIC DEVELOPMENTS

Macro-economic growth and development in Jamaica since the 1960's has been shaped by a variety of factors, both external and internal. Jamaica, like most developing countries, has undergone distinct phases in its development. As such, the evolutionary phases of the Jamaican economy can be assessed by examining the periods pre-1973, 1973-1983, 1984-1990, 1991-1996¹⁵.

The years prior to 1973 can be seen as Jamaica's golden era. Propelled by significant inflows of private capital and investments in the mining and tourism industries, the Jamaican economy, experienced average real growth of 4.7 percent between 1962 and 1969 inclusive, and 11.6 percent over the period 1970-1972. Growth over both periods was accompanied by low inflation and a relatively high investment to GDP ratio. The rate of inflation averaged 4.7 percent over the period 1962-1972, while gross fixed capital formation to GDP averaged 24 percent. The policy thrust was a low interest rate regime, fixed exchange rate and relatively tight fiscal control. Treasury bill rates averaged approximately 4.3 percent, while the fiscal deficit averaged approximately 3 percent of GDP. The current account deficit, although increasing over the period (from US\$43.9 million in 1964 to US\$146.8 million by 1972), posed no serious threat to stability in the external accounts and was financed largely by net private capital inflows in most years. Also, net official borrowing from external sources was minimal. Despite the high rates of growth, however, unemployment rates remained high as growth was mostly concentrated in the mining sector.¹⁶ For example, the rate of unemployment in 1970 and 1971 averaged 24.1 percent.

¹⁵ See appendices for macroeconomic data relevant to the discussion in this section.

The turning point for Jamaica, as with most non oil-exporting developing countries, came in 1973 with the occurrence of an oil crisis. In addition, in the early 1970's there was an increase in the price of wheat, one of Jamaica's primary import commodities. These developments were compounded by political uncertainties and devaluation expectations.¹⁷ The external shocks led to increases in the value of imports, while domestic uncertainties resulted in massive capital flight for most of the 1970's and the early 1980's. These difficulties contributed to a widening of the current account deficit and a significant deterioration in the country's net international reserves. For example, the current account deficit widened from its position of US\$146.8 million in 1972 to US\$302.6 by 1976 and US\$436.0 million in 1983. At the time, the net international reserves was depleted from US\$239.3 million in 1972 to -US\$74.6 million in 1976 and -US\$668.1 million in 1983.

In assessing the period 1973 - 1983, there were no fundamental adjustments in policy to help to address the problems outlined. Fiscal policy was more expansionary than anticipated, and exchange rates were relatively stationary for most of the period. Facilitated by external financing, government expenditure expanded over the period, predominantly to improve the standard of living of Jamaicans which had been eroded by high inflation and relatively high unemployment. The response of policy to the developing balance of payments crisis was to implement import restrictions in 1976 and tighten exchange controls. These measures along with mini devaluations and increases in interest rates helped to temper the trade and current account deficits between 1977 and 1980, but a continuation in the flight of capital resulted in further deterioration of the net international reserves. By 1981, there was a return to widening trade deficits. With further contractions in exports and expansion of imports, the trade deficit increased to US\$438.5 million in 1983. Although net transfers and tourism receipts began to show relatively strong growth at the start of the 1980's and net official borrowing from external sources increased, continued flight of private capital led to a further depletion in the net international reserves of the country.

Over the period 1973 - 1983, the ratio of the fiscal deficit to GDP escalated from the low levels obtained before 1972 to 15.9 percent in 1983. The ratio of investments to GDP declined over

¹⁷ See Jefferson, Owen (1991), 'Liberalization of the Foreign Exchange System in Jamaica'

the period averaging 19 percent and growth rates were negative for most years, averaging -2.6 percent 1973-1980. From 1981 to 1983, the growth rate averaged 1.9 percent.

Commencing in 1984, there was a shift in the mix of policies implemented by Jamaican policy makers. Under a programme of structural adjustment and stabilization, there were considerable fiscal tightening and significant increases in interest rates, accompanied by a marked devaluation in the Jamaican dollar. These were all aimed at reducing aggregate demand and containing imports.¹⁸ The results were a reduction in inflation rates from a high of 31 percent in 1984 to 10.4 percent by 1986. Although GDP growth was negative over 1984 and 1985, averaging -2.6 percent, by 1986 there was a return to positive growth (1.5 percent). The external accounts also showed marked improvements. There was a significant contraction in the trade deficit from a deficit of US\$438.5 million in 1983 to US\$246.6 million by the end of 1986. This, combined with growing tourism receipts and net transfers contributed to a significant improvement in the current account balance.¹⁹ An improved current account, continued official external financing and a resurgence in private capital inflows led to significant improvements in Jamaica's net international reserves²⁰.

Tight fiscal and monetary policies implemented in the mid 1980's continued over the period 1987-1990. The exchange rate remained relatively fixed at J\$5.5 to US\$1 for most of the period but was increased in 1990 to approximately J\$7.1 to US\$1. Between 1987-1990, real GDP growth averaged 5.4 percent. The annual average inflation for this period was 8.5 percent, but climbed to a rate of 23.5 percent between 1988 and 1989, fuelled by strong aggregate demand following the onslaught of the 1988 hurricane. The average rate of employment improved from 24.5 percent between 1970-1986 to 16.8 percent over the period 1987-1990 reflecting a relatively buoyant economy. Although the trade balance further deteriorated over the period 1987-1990, with continued buoyancy in the tourism industry and increased private and official transfer inflows,

¹⁸ The ratio of fiscal deficit to gdp was reduced to 1.8 percent by 1986, treasury bill rates averaged 20.8 % v by 1986 and the rate of exchange of Jamaican dollars for US dollars had increased to 5.5 in 1986, up from 1.93 in 1983.

¹⁹ Current account deficit was US\$55.6mn in 1986, down from US\$436mn in 1983.

²⁰ Net international reserves increased by US\$225.7 in 1984.

the current account deficit was contained at much lower levels than in the early 1980s.²¹ This, combined with the increase in net inflows of capital resulted in further improvements in the country's NIR²².

In 1990, the government of Jamaica embarked on a path of liberalization of foreign exchange controls. By 1991, exchange rates were market determined and all other exchange and capital controls removed. This full liberalization of foreign exchange controls was in keeping with the country's liberalization thrust which started in the late 1980's with removal of some trade restrictions. This change in policy, without the prerequisite macroeconomic fundamentals, resulted in a substantial depreciation of the Jamaican dollar. The rate of exchange of the Jamaican for the US dollar increased from an average of 7.1 in 1990 to 37.1 in 1996. To help to restore stability in the Jamaican economy, in the post liberalization period, tight monetary policy as evidenced by the high interest rate regime, and tight fiscal control were adopted by the monetary authorities for the greater part of the 1990's. Treasury bill rates have exceeded 40 percent in some years. Consequent on this, the weighted average loan rates in the financial sector for most of the 1990's has exceeded 50 percent and in some cases exceeded or tended toward 80 percent. A fiscal surplus was realized for all years, excepting in fiscal year 1996/1997²³. Relative stability in the Jamaican economy, with respect to prices and exchange rate movements, was achieved by the mid 1990's but at a cost to economic growth and the country's internal debt. For example, while the rate of inflation declined from 80 percent in 1991 to 15.8 percent in 1996, real GDP grew by an average of 0.9 percent between 1991-1995 and -1.7 percent in 1996.

With debt forgiveness and reduced borrowing over the 1990's, the pressure of external debt servicing has been eased. This coupled with increased tourism earnings has produced an increasingly positive services account over the 1990's.²⁴ With increased openness of the Jamaican economy,

²¹The current account deficit averaged US\$387.3mn over 1981-1983, while between 1987 and 1990, the deficit averaged US\$186.8mn

²² The NIR improved by US\$291 million over the period 1987-1990

²³ Budget deficit to GDP was 9.8% in 1996/1997

²⁴ The services balance increased from negative US\$77.3mn in 1990 to US\$301.2mn in 1996

however, the growth in imports has continued to out pace that of exports.²⁵ As a result, the goods and services deficit by 1996 increased above the level recorded at the start of the 1990's by approximately US\$214 million. Despite the increased levels of the goods and services deficit, the current account deficit has been tempered by the surge in recorded private transfers inflows in the 1990s.²⁶ Although net official capital has been increasingly negative over the period, reflecting government's debt repayments and reduced borrowing, private capital inflows have been substantial. The result is that Jamaica's net international reserves have experienced significant improvements, moving from a negative position in 1992 to approximately US\$700 million by end of 1996.

2.2 MIGRATION AND REMITTANCES PATTERNS

Although Jamaica's economy has experienced positive growth for most of the years over the period 1962-1996, unemployment rates have remained high, though declining²⁷. This and other factors including increased labour demand in some countries led to a continued outflow of Jamaicans in search of employment and other opportunities.

The migration data for Jamaica includes only mainstream migration to USA, Canada and the United Kingdom and does not capture illegal migrants. In the mid-1950's to the mid-1960's mainstream migration of Jamaican citizens was to England. This was a reflection of the then liberal British immigration policies to Commonwealth citizens. Yearly migration to Britain averaged 23,495 between 1955-1962, peaking at approximately 39,000 in 1962. Post independence (post 1962), the decline in the number of migrants to Britain coincided with tighter British immigration policies and less stringent Canadian and American immigration policies. As a result, there was an increase in the number of Jamaicans migrating to the U.S. and Canada (see chart 2.2.1).

Available data shows that 244,038 Jamaicans migrated to Britain between the years 1953

²⁵ The trade deficit increased from US\$606 million in 1990 to US\$1116.3 million in 1996.

²⁶ Net transfers increased from US\$271.4 million in 1990 to US\$618.1 million by 1996 and the current account deficit averaged US\$4162.5mn 1990-1996.

²⁷ In 1970 the rate of unemployment in Jamaica was 24.3%. By 1996 a rate of 16.2% was achieved.

CHART 2.2.1

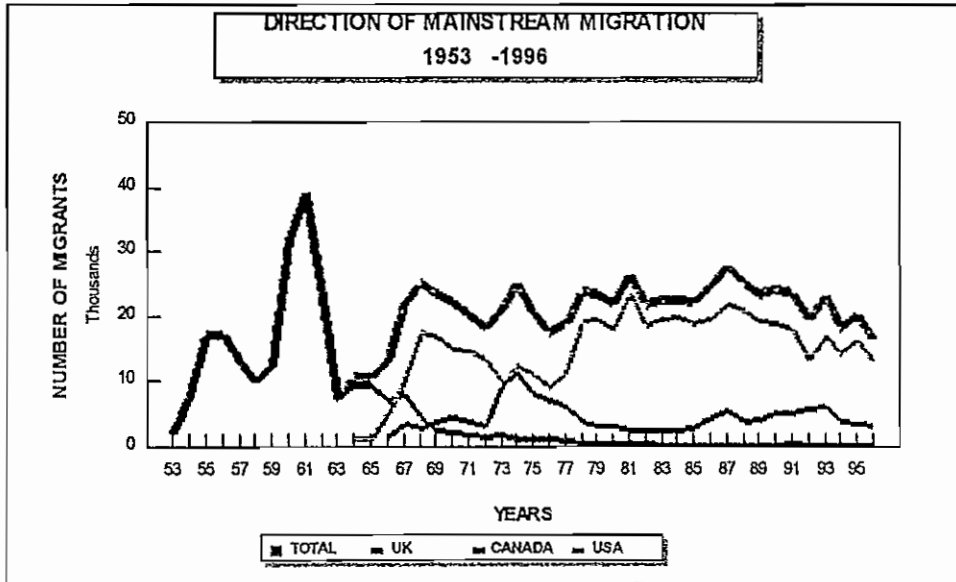
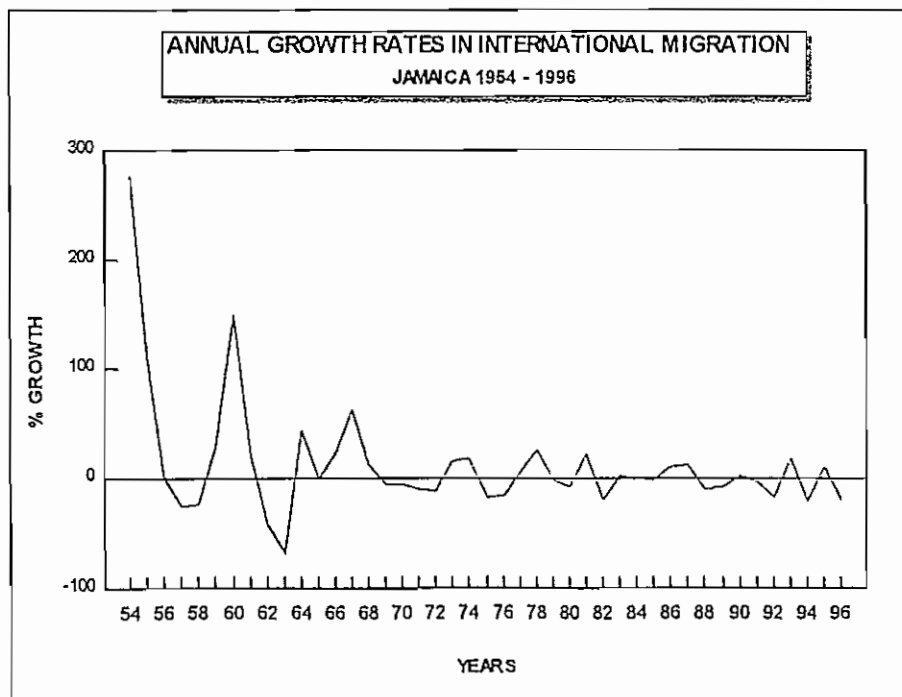


CHART 2.2.2



and 1996, 139,127 individuals migrated to Canada during the period 1966 to 1996, and during the period 1964 and 1996 499,421 individuals migrated to the U.S.A. This gives a total of .8 million Jamaicans recorded as having legally migrated to the UK and North America over the period 1953–1996, representing an average of 19,826 migrants per year. When adjustments are made for illegal migrants, returned migrants²⁸ and children born abroad to migrant Jamaicans, the estimated population of individuals with Jamaican origin overseas could represent a significant percentage of the current Jamaican population.

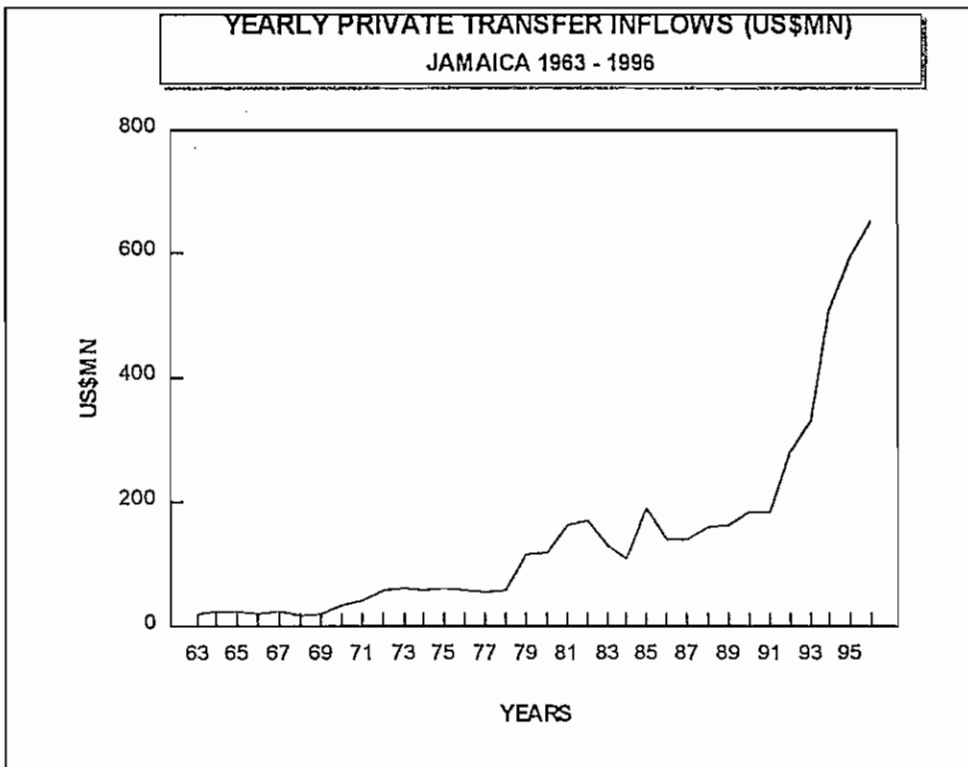
The wave of outward migration of Jamaicans witnessed in the 1950's and the early 1960's has subsided. Chart 2.2.2 shows the yearly percentage growth in international migration of Jamaicans between 1954 and 1996. Early in the period, high growth rates were achieved, while in the latter years, growth rates fluctuated around the zero point. For example, between 1954 and 1962, yearly growth in the flow of migrants averaged 67.8 percent, while between 1962 and 1996 growth rates averaged 0.56 percent. Interestingly, since 1990 yearly growth rates have averaged -3.9 percent. This apparent decline in migration will undoubtedly have implications for remittance inflows.

With the outflow of Jamaicans, there has been an inflow of remittances to the Jamaican economy. Data for 1996, received from two major types of remittances facilitators suggest that currently 49.3 percent of these inflows are generated from the USA, while 19.1 percent and 25.6 percent respectively flow from the UK and Canada. Although migrant Jamaicans have been remitting funds for the purposes of savings and portfolio investments, only a portion of these funds has been identified in Jamaica's balance of payments because of data gathering problems.²⁹ Funds are also remitted to Jamaica by migrant seasonal workers. Unlike in earlier years, remittances from seasonal workers now form an almost insignificant portion of overall remittances. The bulk of recorded remittance inflows is represented by private transfers. Hence, most of the discussion in the paper will revolve around these flows.

²⁸ The National Returning Residents Association of Jamaica estimated that currently there are approximately 22,000 Jamaicans with return migrant status residing in Jamaica.

²⁹ Since 1993 data on migrants savings in building societies have been recorded.

CHART 2.2.3



A graph of yearly data spanning 1963 to 1996 shows that private transfer inflows have maintained a basic upward trend over the years (see chart 2.2.3). Of note is a sharp increase in inflows after 1991. This development came after the full liberalization of foreign exchange controls in 1991. Remittance inflows to the Jamaican economy averaged US\$89 million per year over the period 1963 to 1991 and US\$474.38 million per year for the period 1992 to 1996.

3. IMPORTANCE OF REMITTANCES IN THE DEVELOPMENT OF THE JAMAICAN ECONOMY

The importance of remittances to economic development in Jamaica will be examined from two main perspectives. First, from the angle of its contribution to the position of Jamaica's balance of payments and secondly based on its contribution to household income.

It has been found that Jamaica, being a small open import oriented economy, has an inflationary process which is sensitive to exchange rate movements. Remittances have over the years been an important source of foreign exchange and have contributed to the support of Jamaica's balance of payments and the stability of the value of the Jamaican currency. These inflows to the Jamaican economy have therefore contributed to macroeconomic stability which is important for continued economic growth and development.

As shown in table 3.1, the growing relative importance of remittances as a source of foreign exchange is illustrated when private transfer inflows during the period 1972-1996 are compared with inflows from tourism, one of Jamaica's major foreign exchange earners, and inflows from sugar, bananas, bauxite and alumina, Jamaica's major export commodities.³⁰ Private transfer inflows as a source of foreign exchange have been consistently outperforming combined banana and sugar exports since 1979. In 1996 these inflows were more than four times the combined foreign exchange receipts from sugar and bananas.

Between 1972 and 1984, private transfers, on average, represented only 17.9 percent of combined inflows from bauxite and alumina. This low ratio reflects the then high relative

³⁰ Unavailability of data precludes the examination of flows for earlier periods.

TABLE 3.1

PRIVATE TRANSFER INFLOWS COMPARED WITH TOURISM INFLOWS & EARNINGS OF MAJOR EXPORTS (US\$MILLION)							
Year	Bauxite & Aluminum	Sugar & Bananas	Tourism	Priv. Transf.	% Priv. trans/ Baux & alumin.	% Priv. transf/ Sugar & ban.	% Priv transf/ Tourism
1972	235.4	59.1	134.9	58.3	24.8	98.6	43.2
1973	249.8	58.8	127.3	59.5	23.8	101.2	46.8
1974	529.0	96.9	133.2	67.7	10.9	59.5	48.3
1975	535.5	169.9	128.4	59.6	11.1	35.1	46.4
1976	424.6	77.1	105.6	56.5	13.3	73.3	53.5
1977	528.0	94.4	105.6	55.6	10.5	58.9	52.7
1978	579.2	85.3	146.8	56.4	9.7	66.1	38.4
1979	580.6	60.9	195.4	114.6	19.7	188.2	58.6
1980	735.7	65.8	240.6	120.7	16.4	183.4	50.2
1981	760.2	50.8	284.6	162.7	21.4	320.3	57.2
1982	513.8	53.7	336.2	170.7	33.2	317.9	50.8
1983	423.6	64.1	399.3	128.5	30.3	200.5	32.2
1984	443.4	67.5	406.6	109.2	24.6	161.8	26.9
1985	289.7	54.0	406.8	191.4	66.1	354.4	47.1
1986	295.5	71.4	516.0	141.3	47.8	197.9	27.4
1987	336.4	93.2	594.9	139.2	41.4	149.4	23.4
1988	466.7	107.6	525.0	160.1	34.3	148.8	30.5
1989	585.9	87.0	593.0	163.3	27.9	187.7	27.5
1990	728.3	123.4	740.0	184.2	25.3	149.3	24.9
1991	655.8	132.5	764.0	183.3	28.0	138.3	24.0
1992	559.8	122.1	858.1	285.2	50.9	233.6	33.2
1993	524.0	133.1	942.6	331.0	63.2	248.7	35.1
1994	610.7	114.7	919.0	508.8	83.3	443.6	55.4
1995	702.9	141.7	1068.8	595.1	84.7	420.0	55.7
1996	679.6	154.4	1092.3	651.8	95.9	422.2	59.7

Source: Bank of Jamaica, Balance of Payments Report, various issues

TABLE 3.2

RATIO OF RECORDED REMITTANCES TO JAMAICA'S GDP, NDI & PRIVATE CONSUMPTION (YEARLY AVERAGES)				
	1963-1969	1970-1979	1980-1989	1990-1996
Remittances / GDP	2.29	2.63	5.11	9.18
Remittances/ NDI	2.95	2.96	5.82	8.07
Remittances/ Private Consumption	3.10	4.07	7.71	11.15

Remittances used in calculations are private transfer inflows.

importance of the mining industry as a source of foreign exchange inflows³¹. Post 1991, given the sharp increases in the levels of recorded private transfer inflows, the yearly ratio has consistently increased. By 1996, private transfer inflows represented 95.9 percent of combined bauxite and alumina earnings.³²

Private transfer inflows as a percentage of tourism receipts averaged 49 percent prior to 1981. However, with the rapidly increasing levels of tourism receipts relative to the increases in private transfers, this percentage fell to an average of approximately 26 over the period 1983-1991. Since 1992, the percentage of private transfer inflows to tourism receipts has consistently increased and by 1996 was 59.7 percent.

Remittances in the form of private transfers have become an important source of financing for Jamaica's goods and service deficit. As shown in appendix 1, since 1992 private transfer inflows have consistently financed more than 50 percent of the goods and services deficit.³³ In 1992 and 1994, respectively, these flows were responsible for financing 75.5 and 97.9 percent of the goods and services deficit. In both years the current account recorded surpluses. Remittances, therefore, have been playing a vital role, at least since the 1990's, in reducing the effects of an increasing goods and services deficit on Jamaica's current account balance.

Remittance inflows, to the extent that they form a part of household income or savings, may further contribute to economic growth and development. In table 3.2, the ratio of recorded private transfer inflows to Jamaica's gross domestic product and net disposable income are shown for the period 1963 - 1996. Whereas between 1963 and 1969 the ratios were 2.3 percent and 3 percent, respectively, over the period 1990-1996 these ratios were 9.2 and 8.1 percent respectively. This implies that remittances have been an increasing percentage of Jamaica's gross domestic product and net disposable income.

As stated in the literature, the implications of remittances for growth in labor exporting

³¹ During that period, combined aluminum and bauxite earnings averaged US\$502.9 million per year, while private transfer inflows averaged US\$93 million

³² Between 1992 and 1996 inclusive, foreign exchange receipts for exported bauxite and alumina averaged US\$609.1, while private transfer inflows averaged US\$474.3

³³ Between 1992 to 1996 inclusive, the goods and services deficit averaged US\$594.

TABLE 3.3

MONTHLY SEASONAL FACTORS OF JAMAICA'S PRIVATE TRANSFERS INFLOWS		
MONTHS	SEASONAL FACTORS	RANK
Jan	1.022	4
Feb	0.978	9
Mar	1.016	7
Apr	0.846	12
May	0.975	10
Jun	1.016	6
Jul	1.004	8
Aug	1.026	3
Sep	1.039	2
Oct	0.943	11
Nov	1.019	5
Dec	1.143	1

countries will depend on how they are used by households. Time series analysis was employed to help in the examination of uses to which remittances are put in the Jamaican economy.

A time series decomposition of monthly private transfer inflows between January 1993 to July 1996 inclusive, and a test for seasonality using monthly dummy variables revealed that the inflows were seasonal with the month of December having the highest seasonal factor (see table 3.3). The month of December on average performed more than 14 percent above trend.

It is known that migrant Jamaicans abroad as a matter of tradition (in keeping with Christmas and New Year's, celebrations) send money as gifts to relatives and friends in December. It is also known that these monies are generally used to help in the financing of the high level of consumption taking place around this time in Jamaica. There would no doubt be spill over effects into the months of November and January as some funds may arrive before the festive season and some after. The seasonal factors for November and January were ranked fourth and fifth respectively behind those of the months of August and September.

The performance of private transfer inflows above trend in high consumption periods point to a link between remittance inflows and consumption. As shown in table 3.2, the ratio of private transfer inflows to private consumption has increased over the years, averaging 3.1 percent over the period 1963-1969, and 11.2 percent over the period 1990-1996.

Another seasonal activity which takes place in Jamaica around the months of August and September are the payment of tuition and other education related expenses. The months of September and August had the second and third highest seasonal factors with inflows for September operating at 3.9 percent on average above trend and that for August operating on average at 2.5 percent above trend. Based on intelligence gathered from remittance companies and other facilitators of private transfers inflows, a substantial portion of inflows during these months is used to finance education expenses.

Remittances are also used in Jamaica to finance the purchasing or building of houses, particularly by returned migrants. Market intelligence suggests that approximately 80 percent of migrants savings in building societies is used for the purpose of purchasing or building of houses by migrants on their return to Jamaica. Over the years 1994-1996, a yearly average of US\$30.5 million was identified as migrants savings in Jamaican building societies. To the extent that real

TABLE 3.4

MIGRANTS SAVINGS AS A PERCENTAGE OF JAMAICA'S GDP 1994 - 1996 (SELECTED INDUSTRIES)			
	1994	1995	1996
Migrants savings in B.Socs. (80%)	1202.2	873.3	1066
Construction & Real estate services GDP (current prices)	21092	28710	33066
Construction GDP (current prices)	15555	21187	23598
Real estate services GDP(current prices)	5537.2	7523	9468
% Migrant savings/ const.& real estate GDP	5.7	3.0	3.2
Construction GDP & real estate GDP/Total GDP (%)	17.1	18.1	18.1

Sources: Building Societies & Economic & Social Survey of Jamaica 1996.

GDP and savings are in J\$m

estate companies are contracted to undertake the acquisition of houses, then some of these funds may be used to pay for real estate services. A crude estimate of contribution of remittances to Jamaica's real estate services and construction GDP can be found by taking a ratio of 80 percent of migrants savings in building societies to the value of real estate services and construction GDP. As shown in table 3.4 this contribution was calculated for the years 1994, 1995, 1996.

Caution should be taken, however, in the use of this measure. First, 'old' houses³⁴ purchased will not form a part of GDP and secondly migrants' remittances to savings accounts are not necessarily used for acquisition of housing in the same year the funds are remitted to Jamaica. Thirdly, remittances used for housing purposes might be greater than the amounts used in the calculations as migrants use other channels such as commercial banks to remit these types of funds.

If this estimate is to be used, however, it would suggest that over the period 1994 - 1996, on average, approximately 4 percent of combined real estate services and construction GDP was funded by migrants remittances each year. With real estate services and construction accounting for an annual average of 17.8 percent of total GDP, this would suggest that in the mid-1990's, migrants' remittances accounted for approximately 0.71 percent of total GDP by virtue of being a source of financing for construction activities and a source of payment for real estate services.

Given the illustrations above it seems that three of the uses to which remittance inflows to the Jamaican economy are put are housing, consumption and education financing. The uses of remittances to finance education feeds directly into the process of economic development of Jamaica as increasing a country's human capital is one of the driving forces of development. To the extent that remittances are used to finance construction activities, these inflows will also add to economic growth and development. With respect to the financing of consumption, if these flows increase the welfare of the Jamaican human capital stock fuel demand for goods produced in the domestic economy, then they are being used productively. Remittances will also help to increase the standard of living of individuals in Jamaica making them less reliant on government for the satisfaction of basic needs. From this perspective, more of public resources will be freed to finance infrastructural development which is a necessity for economic growth and development.

³⁴ These are houses which are built prior to the year in which GDP is measured.

4. DETERMINANTS AND SUSTAINABILITY OF REMITTANCE INFLOWS TO JAMAICA

As pointed out in the literature review, remittances might be affected by various considerations. However, unavailability of data on likely determinants, or suitable proxies for these determinants, precludes rigorous econometric analysis of remittance inflows to the Jamaican economy. In addition, because of the problems involved in capturing remittances flowing through the unofficial system, it is possible that the true level of remittances at any point in time will be understated. At best, modeling remittance inflows is really modeling those remittances flowing through the official system.

A priori, the actual level of remittances flowing into Jamaica should depend on the following:

- (1) The number of migrant Jamaicans residing and/or working abroad
- (2) The wealth holdings and income stream of migrant Jamaicans, and the social and economic conditions (existing in host countries) impacting on both.
- (3) The connectivity or bond of affection between migrants and home country.
- (4) The ease with which these flows take place.
- (5) The number of returning migrants, both pensionable and non-pensionable.
- (6) Interest rate differentials and financial system and exchange rate risks.
- (7) The direction of macroeconomic policy in Jamaica.
- (8) Economic conditions of host countries.

In theory, a positive relationship between remittance inflows and the flows of migrants is expected. A stronger positive relationship may exist, however, between remittances and the actual number of migrants abroad. If the pool of Jamaican migrants abroad continues to increase then it is expected that the potential for remittance inflows to Jamaica will be increased. Factors affecting the rate of migration are therefore expected to impact, indirectly, on growth in remittances. For example, tightened immigration policies may lead to a reduction in the rate of increase in the number of Jamaicans abroad. From this perspective, the rate of increase of migrants' potential to remit, all other things held constant, could reduce.

The wealth holdings and levels of income of migrant Jamaicans could be very important determinants of remittances. An increase in wealth holdings and earnings will increase the potential for migrant Jamaicans to remit. The converse holds true. Any factor which is likely to have an impact on wealth holdings or income of migrants, such as economic conditions in host countries, will be likely to have an impact on remittances.

It should be noted that even if Jamaicans migrate to countries overseas and their wealth holdings increase, without a sense of connectivity or bond of affection between migrants and home country, there will be little or no impact on unrequited remittance inflows. This notion is connected somewhat to the theory of migrants' return expectations outlined in the literature. If individuals expect to return to their home country, then they will keep nurturing the bond between themselves and their friends and relatives by remitting portions of their wealth. This idea is also connected to the portfolio theory approach of remittances and migration outlined in the literature. The bond or connectivity in this instance results from the implicit contract between families to disperse their labor assets to various labor markets and then share resulting income or wealth. The greater the bond or connectivity between migrants and home country, the more likely it is that migrants will remit.

The level of inflows will depend on the ease with which these flows can take place and the costs associated with remitting. The greater the number of facilitators and the more extensive their networks both locally and abroad, it is more likely that remittances will increase. Increases in technological advancements will also make the process of remitting much easier and is expected to

bear a positive relationship with the level of inflows. Promotional activities of facilitators of inflows are also expected to bear a positive relationship with the level of remittances.

The relationship between migrants returning to their home country and remittance inflows can be either positive or negative. A return of migrants to their home country means that the number of Jamaicans living abroad will be reduced. From this perspective, the level of remittances flowing from abroad could fall. On the other hand, migrants on their return usually take with them both financial and non-financial assets. Additionally, if there is an increase in the level of returning residents who are pensioners, then there may be an increase in the level of pension funds remitted from international territories where migrants had previously worked. Hence, the level of remittances could also increase with an increase in the level of returning migrants.

Remittances for the purpose of portfolio diversification will depend on relative interest rates between countries, availability of financial instruments and stability in the exchange rate and financial system. If the level of nominal interest rates in Jamaica is higher than that in international markets and if there exists a variety of low risk instruments, then remittances for portfolio investment could increase. In this context, there could be a positive relationship between these types of remittances and interest rate differentials.

Depending on the type of macroeconomic policy being pursued in Jamaica, remittance flows may vary. For example, with contractionary policies, there may be a greater dependence of Jamaicans on relatives abroad to supplement their dwindling incomes. If macroeconomic policies are conducive to growth and expansion in the Jamaican economy then with less unemployment, Jamaicans are expected to be less dependent on migrants abroad for support. Also, with reduced rates of unemployment, fewer individuals might want to migrate. These factors may have a negative impact on the rate of growth of remittance inflows. An expansionary macroeconomic policy in Jamaica is therefore expected to bear a negative relationship with remittances inflows, while a contractionary policy is expected to impact positively on remittance inflows.

Higher rates of growth and expansion in host countries, relative to Jamaica could provide an incentive for Jamaicans to migrate, given that all other things are held constant. Viewed from another angle, growth and expansion in host countries could result in an increase in the income levels of Jamaican migrants abroad, increasing the potential of migrants to remit. A positive

relationship is therefore expected between economic growth and expansion of host countries and remittances levels.

To assist in addressing the question of sustainability of remittances, a useful exercise would be to develop a forecast model based on the above theoretical framework. Preliminary efforts were made to develop one such model using OLS. The results are inconclusive, however, as data unavailability prevented the inclusion of key explanatory variables. The Adjusted R-square of the model was extremely low and the model had problems of serial correlation which were expected given the problem of omitted variables. Data series should be developed on key variables for future modeling of these relationships.

Without the help of a formal model, one can seek to develop an understanding of the relationships between remittance inflows to Jamaica and some of its determinants, by examining their patterns. The employment of a time series forecast model, along with conjectural analysis based on limited knowledge of interrelationships between remittances and its expected determinants can give some insights as to future direction of these inflows. The problem with these methods is that they cannot forecast into the long-term.

As noted before, and shown in chart 2.2.3, there was a surge in recorded private transfer inflows in the early 1990's, primarily after liberalization of foreign exchange controls in 1991. Care should be taken in attributing all of this increase to a rise in actual remittance inflows. As noted in the literature, an overvalued currency or parallel exchange rates will cause individuals to bypass the official system resulting in an under recording of inflows. Generally, a currency 'black market' is a feature of an economy with foreign exchange controls. With full liberalization, official and unofficial rates usually converge. Therefore, it could be that some remitters prior to 1991, in a bid to have their dependents obtain a higher nominal Jamaican dollar value for the funds remitted, bypassed the official system resulting in lower levels of private transfers prior to 1991. The convergence of both the official and unofficial exchange rates (post liberalization) meant that a major incentive for remitters to send funds by unofficial means was removed. It is therefore possible that the surge in recorded remittance inflows to Jamaica witnessed after foreign exchange liberalization could be partly attributable to a switch in the methods of remitting funds.

In the 1990's with the establishment of Jamaican remittance companies there was a significant increase in the number of agents facilitating remittance inflows to the country. These remittance companies have been engaging in significant promotional activities locally and abroad and have been extending their network island wide. With the introduction of Western Union and Money Gram to Jamaica in the 1990's, technological advancements have been achieved in money transfer services. Remitters can now remit funds to dependents almost instantaneously. These factors could also have contributed to the surge in recorded private transfer inflows in the 1990's.

Macroeconomic policy in Jamaica was characterized by high interest rates in the 1990's. For example, in 1992, 1994 and 1996, period averages of Jamaican treasury bill rates were 34.6, 42.9 and 37.95 percent, respectively. The high interest rate regime characterizing the 1990's aimed at achieving macroeconomic stability, contributed to dislocations in the economy, resulting in a slight reversal in the steady decline in unemployment rates achieved in the 1980's. As outlined before, although there was positive growth in the economy, growth rates were low between 1991 and 1995 and negative in 1996. The increase in remittance inflows in the 1990's could have been partially attributable to the impact of these contractionary policies.

One determinant mentioned above is the number of migrant residents returning to Jamaica. Regarding private transfer inflows, returned residents who are receiving pensions from abroad have been playing a relatively important role. Based on data received from the Pensions and Overseas Benefits Directorate in England, in 1996 approximately US\$71.4 million, representing state pensions for returned Jamaican migrants who had lived and worked in Britain, flowed into the Jamaican economy. This means that if British private pensions and American and Canadian state and private pensions remitted to Jamaica are to be taken into consideration,³ remittances in the form of pensions in 1996 could have exceeded US\$100 million. This would suggest that pension funds in 1996 could have exceeded approximately 14.6 percent of recorded remittance inflows. In addition to pension funds, returned migrants or potential returning migrants as highlighted before, have been remitting funds to savings accounts in building societies in Jamaica, mainly for the

³ While no data is currently available on these flows, market intelligence suggest that state pensions from the USA could exceed US\$25 million per year.

purposes of buying or building houses on their return.

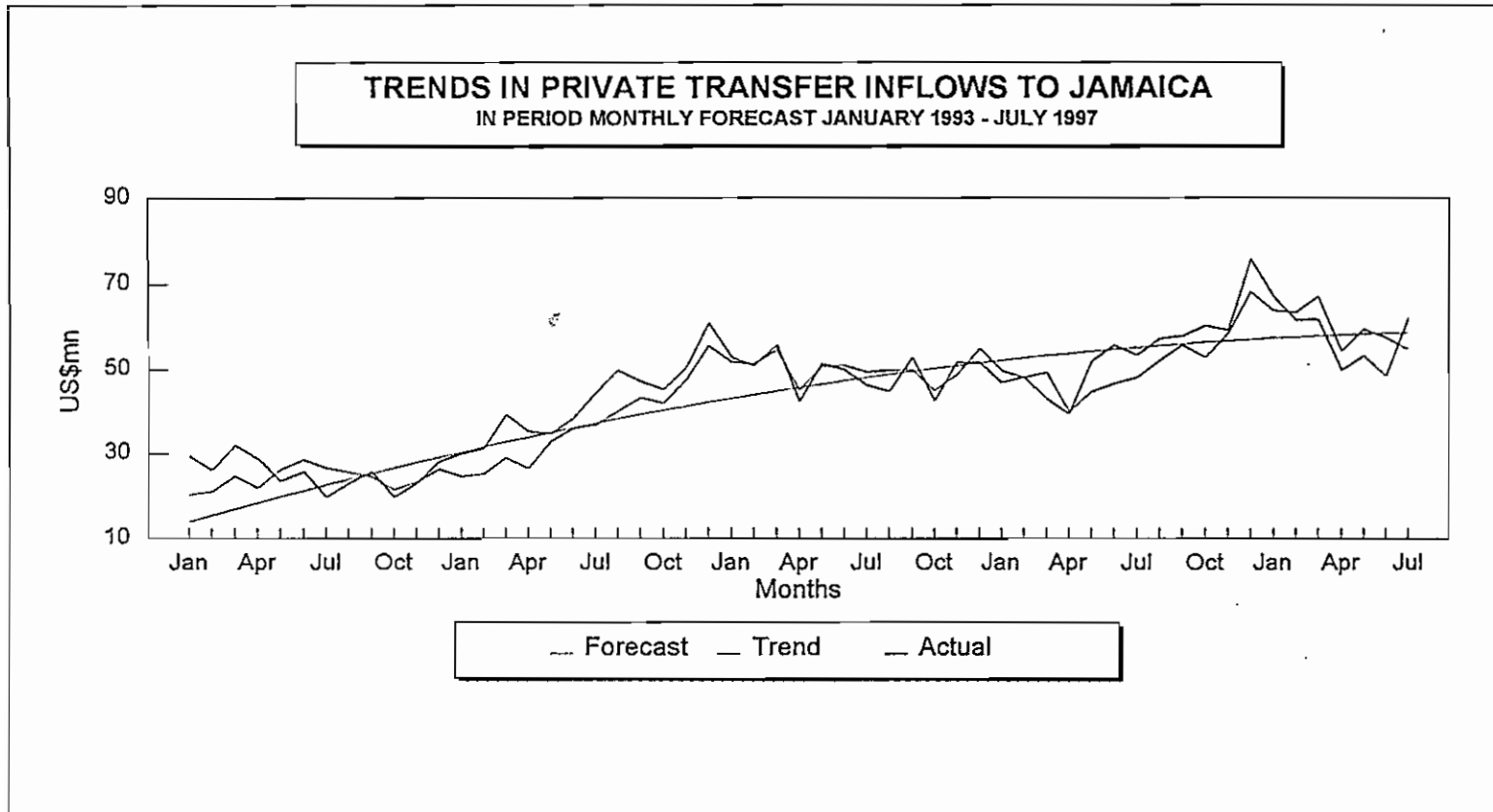
Although data limitations have helped to mask somewhat the true nature of the impact of remittance inflows on Jamaica's economic development, indications are that these flows have been very important to the economy. In view of this, policy makers should be interested in the sustainability of these flows. If flows are not sustainable, then other options should be explored. From a fiscal perspective, a reduction in remittance inflows will translate to a heavier reliance on government for the fulfillment of basic needs. From a monetary perspective, there are implications for balance of payments support and the achievement of exchange rate stability. To assist in exploring the issue of sustainability, the time series decomposition of monthly private transfer inflows spanning January 1993 to July 1997 was used.

As shown in chart 4.1, the trend line characterizing the data is quadratic in nature and concave to the origin. Based on its shape it would appear that private transfer inflows which represent the bulk of recorded remittance inflows are leveling off. This can be interpreted to mean that remittance inflows could be peaking. Supporting this view is a recent claim by a major remittance company that the responsiveness of remittance inflows to advertising campaigns has been decreasing. If it is true that remittance inflows are approaching their peak, the concern here is whether they will be maintained or whether the trend line will turn downwards some time in the future.

As noted in section 2, the international migrations of Jamaicans may be declining over the previous years. This is partly as a result of tightened immigration policies in mainstream countries. Also, Jamaica's rate of unemployment has been declining and individuals in Jamaica are increasingly capitalizing on domestic opportunities for self-employment instead of looking toward outward migration. These, coupled with the fact that the United States (which has the largest Jamaican migrant population) has recently been cracking down on illegal migrants, could have negative consequences for remittance inflows³³.

³³With decreasing rates of unemployment, individuals may be less dependent on migrants for support and may have a lesser incentive to migrate

CHART 4.1



The Jamaican returned residents' population as stated before is estimated to be about 22,000 individuals and is currently growing by an amount greater than 2,000 individuals per year. However, the trends over the past three years seem to suggest that fewer migrants are returning home. In 1994, 2,587 individuals returned to Jamaica while in 1995 and 1996, respectively 2,353 and 2,268 were recorded as returned migrants. If this represents a general trend for both pensioners and non-pensioners, then it could have some implications for sustainability of flows.

Based on the results of the time series decomposition and the general trends in some determinants of remittances, it seems that growth in remittances has slowed or may be slowing. Although it is not expected that the conditions in the short run should change sufficiently to cause a significant change in remittance inflows, a lack of knowledge of the specific structural relationship between remittances to Jamaica and their determinants introduces an element of uncertainty about future levels of these inflows.

From within Jamaica, the sustainability of flows can be strengthened by an encouragement of return migration of pensioners, by provision of incentives for migrants to save in Jamaica and by strengthening the bond or connectivity between migrants and Jamaica. Pensioners, for example, will undoubtedly have need for health care. Therefore, one way of providing an incentive for their return is the creation of a reasonably good Jamaican health care system. As an incentive for migrants to allocate part of their portfolio investment to Jamaican capital markets, a stable financial sector and a relatively stable exchange rate must be in existence. A variety of financial instruments with reasonable rates of return should further enhance these inflows.

5. POLICY IMPLICATIONS AND CONCLUSION

The importance of remittance inflows to the Jamaican economy, particularly as a major source of foreign exchange, cannot be discounted. However, given the uncertainties involving future directions of these flows, greater emphasis will have to be placed on improving the performance of major foreign exchange earners and on exploring new methods of earning foreign currency.

The emphasis of macroeconomic policy in Jamaica, particularly since liberalization, has been the achievement of macro-economic stability. This is evident from the significant reduction

in the rates of inflation that obtained after liberalization, and the relative stability in the value of the Jamaican dollar. However, since 1997 speculative activities have contributed to demand pressures in the foreign exchange market. The relative macroeconomic stability achieved has provided a frame work for further economic growth, by creating an attractive climate for investments in the country, whether as foreign direct or local investments. Foreign direct investments will provide balance of payments support and contribute to growth and development. If these inflows are directed toward the foreign exchange earning sectors of the economy, then in the medium to long run additional balance of payments support could come from these investments. In the short-run, these flows add to the supply of foreign exchange (easing demand pressure) thereby lending some measure of stability to the exchange rate.

One of the challenges for policy makers however, is to continue to put policies in place to obtain relative balance on the goods and services account. In the past, various combinations of import restrictions, exchange controls, devaluations, tight monetary controls and tight fiscal management have been employed to improve Jamaica's external accounts. In the context of increased free trade and liberalization of world economies a return to import restrictions and exchange controls will not be a feasible option. For the strategy of devaluation to achieve its intended objective, its influences on speculative activity or movements in domestic prices must be minimized. Monetary policy will also have to be such that while it serves to contain imports, it does not have a heavy negative impact on exports production or on the rest of the productive sector.

As implied in section 2, expansionary fiscal policy in 1973-1983, financed by external borrowings have contributed to fundamental balance of payments disequilibrium. Although fiscal control tightened over the next decade, it became expansionary again in 1996/97. The lesson to be learnt is that continued efforts will have to be made by policy makers to maintain tight fiscal management and to avoid a recurrence of the experiences of the 1970s and early 1980s.

Creative measures will have to be increasingly adopted to dampen imports, while encouraging exports. It is recommended that the principles of export led growth be continuously pursued as a measure of reducing the widening trade deficit. Jamaican exporters will have to become increasingly efficient in their cost structures, and seek to enhance their product quality in the face of increasing competition. Producers for domestic consumption will also have to find ways

to improve the quality of their products and to become cost efficient in order to compete effectively with imported substitutes.

Continued emphasis will also have to be placed on the provision of better quality service to residents of other countries and on broadening the range of services provided, as a mean of earning foreign exchange. For example, Jamaica will have to deepen its efforts at presenting a more attractive and competitive tourism product particularly, in the face of increased competition from within³³³ and outside the Caribbean region for tourists, and the importance of tourism as a foreign exchange earner. The concept of niche marketing will have to be further explored and greater product diversification achieved. Jamaica could also explore the idea of increasing the provision of other services as a mean of earning foreign exchange, for example, services in the area of information processing.

Policy makers will have to continue the pursuit of policies which are consistent with the maintenance of a macroeconomic climate necessary for the attraction of long-term capital inflows. Policies which encourage the inflow of foreign capital that is speculative in nature should be avoided. These capital inflows are usually volatile and reversible in the short term and can be destabilizing especially in cases where the monetary authorities have no knowledge of the size of these flows.

In summarizing, remittances have been important to the development of the Jamaican economy. They have been an important source of foreign exchange and have contributed to the gross domestic product at least through their provision of a source of financing for construction activities, a source of payment for real estate services, and a source of financing the development of the country's human capital. These inflows have helped to increase the standard of living of Jamaicans and have helped to reduce the reliance of Jamaicans on government for the fulfillment of basic needs, freeing up resources for possible use in increasing the country's infrastructural development. Remittances have also been playing an important role over the years, in reducing the effects of the goods and services deficit on Jamaica's current account.

Given the growing importance of remittances, policy makers should be interested in the

sustainability of these flows. While indications are that the rate of growth of remittance inflows to the Jamaican economy may be slowing, it is not expected that conditions will sufficiently change to cause a significant change in these flows in the short run. A lack of knowledge of the specific structural relationship between remittances flowing to Jamaica and its determinants, introduces an element of uncertainty about long term sustainability of flows. Given these uncertainties, greater emphasis will have to be placed on improving the performance of foreign exchange earners in the trade and services areas.

One of the challenges for policy makers will be to continue to implement policies necessary to obtain relative balance in the external accounts, and long term growth and development. This means the continued implementation of prudent fiscal and monetary policies such that while aggregate demand and inflationary pressures are dampened, the productive sector will expand.

Finally, much more research needs to be done in the area. At present, given a lack of data, research backed by rigorous econometric analysis cannot be carried out. Such research is necessary to better understand the relationships between remittance inflows and its determinants. A clearer understanding of these relationships will make remittances more predictable and answers to questions relating to sustainability of flows more definitively. A more precise estimate of the level of contributions of remittances to Jamaica's economic development, by virtue of it being an addition to household income must be found. Also, developing economic models having theoretical constructs to assist in the forecast of movements in remittances inflows will be necessary. Given that a general absence of key data has prevented the effecting of these types of research, it is recommended that the data needs for future research in these areas be assessed and measures put in place to capture relevant information.

APPENDICES

APPENDIX 1

BALANCE OF PAYMENTS SERIES (I): JAMAICA									
NET INFLOWS (US\$MN)									
Year	Export	Import	Trade	Services	Goods&serv.	Transfers	Private Trans./ Goods & Service	Priv. trans	Off. transfer
1961	-	-	-	-	-	-	-	-	-
1962	-	-	-	-	-	-	-	-	-
1963	-	-	-	-	-	-	-	-	-
1964	220.0	256.3	-36.34	-25.9	-62.3	18.3	-	-	-
1965	218.0	256.3	-38.31	-9.6	-47.9	17.2	-	-	-
1966	278.2	286.2	-8.03	-49.0	-57.0	14.6	-	-	-
1967	276.7	301.7	-25.00	-59.2	-84.2	13.9	-	-	-
1968	252.0	333.6	-81.60	-34.3	-115.9	14.3	-15.3	17.7	-3.4
1969	293.0	382.7	-89.70	-48.8	-138.8	14.3	-12.8	17.7	-3.4
1970	343.5	451.0	-107.50	-67.7	-175.2	22.0	-15.0	26.3	-4.3
1971	348.8	481.8	-133.00	-2.1	-135.1	32.1	-19.7	26.6	5.5
1972	378.0	529.3	-151.30	-23.3	-174.6	27.8	-19.8	34.6	-6.8
1973	392.5	569.7	-177.20	-29.8	-207.0	26.3	-16.3	33.7	-7.4
1974	693.1	810.5	-117.40	-72.7	-190.1	23.4	-17.1	32.5	-9.1
1975	784.9	968.7	-183.80	-124.8	-308.6	26.2	-6.8	21.0	5.2
1976	656.4	791.6	-135.20	-173.4	-308.6	6.0	-0.6	2.0	4.0
1977	750.6	666.7	83.90	-138.5	-54.6	20.0	-27.7	15.1	4.9
1978	794.5	750.0	44.50	-156.9	-112.4	25.7	-13.5	15.2	10.5
1979	814.7	882.6	-67.90	-154.7	-222.6	80.0	-31.4	70.0	10.0
1980	962.7	1038.1	-75.40	-181.7	-257.1	90.8	-31.8	81.8	9.0
1981	974.0	1296.7	-322.70	-138.4	-461.1	124.3	-26.7	123.3	1.0
1982	767.4	1208.9	-441.50	-98.0	-539.5	150.4	-24.9	134.5	15.9
1983	685.7	1124.2	-438.50	-99.0	-537.5	101.5	-17.6	94.7	6.8
1984	702.3	1037.0	-334.70	-77.0	-411.7	120.6	-19.5	80.4	40.2
1985	568.6	1004.2	-435.60	-81.4	-517.0	221.2	-29.6	153.2	68.0
1986	590.8	837.4	-246.60	42.9	-203.7	148.1	-54.8	111.6	36.5
1987	709.2	1061.1	-351.90	551.2	-325.4	171.6	-36.0	117.2	54.4
1988	883.0	1240.3	-357.30	183.8	-173.5	205.6	-78.2	135.6	70.0
1989	1000.4	1606.4	-606.00	-14.4	-620.4	322.9	-21.8	135.2	187.7
1990	1157.5	1679.6	-522.10	-77.3	-599.4	271.4	-25.9	155.4	116.0
1991	1150.7	1575.0	-424.30	-84.3	-508.6	252.8	-30.1	153.3	99.5
1992	1053.6	1529.2	-475.60	146.7	-328.9	339.8	-75.5	248.2	91.6
1993	1075.4	1880.1	-804.70	233.6	-571.1	376.9	-53.7	306.4	70.5
1994	1219.5	1868.2	-648.70	191.7	-457.0	475.3	-97.9	447.2	28.1
1995	1436.8	2426.4	-989.60	189.5	-800.1	607.8	-68.8	550.1	57.7
1996	1386.9	2503.0	-1116.30	301.2	-815.1	618.1	-69.4	565.5	52.6

SOURCES: BANK OF JAMAICA BALANCE OF PAYMENTS REPORTS, 1975, 77, 78, 79, 80, 84, 91, 96
ECONOMIC AND SOCIAL SURVEY OF JAMAICA, 1970, 71, 73

APPENDIX 2

BALANCE OF PAYMENTS SERIES (11): JAMAICA											
Year	NET INFLOWS (US\$MN)						INFLOWS (US\$MN)				
	Curr. acc	Net capital	Official cap	Private cap	Nir	NIR	Change	Baux & alum.	Sugar & ban	Tourism	Prv.transfers
1961	-	-	-	-	-	-	-	-	-	-	-
1962	-	-	-	-	-	-	-	-	-	-	20.2
1963	-	-	-	-	-	-	-	-	-	-	22.1
1964	-43.9	16.0	11.5	4.5	173.9	-22.7	-	-	-	-	21.6
1965	-30.7	22.9	8.5	14.4	159.8	-14.1	-	-	-	-	19.6
1966	-42.4	15.5	10.4	65.1	183.2	23.4	-	-	-	-	21.5
1967	-70.3	119.9	6.9	113.0	203.0	19.9	-	-	-	-	17.2
1968	-101.3	141.0	14.1	126.9	238.7	35.7	-	-	-	-	20.5
1969	-124.5	118.7	12.4	106.3	236.2	-2.5	-	-	-	-	32.4
1970	-153.2	161.6	-1.4	163.0	257.4	21.2	-	-	-	-	41.8
1971	-103.0	136.7	4.9	131.8	293.8	36.4	235.4	59.1	134.9	-	58.3
1972	-146.8	74.6	23.3	51.3	239.3	-54.5	249.8	58.8	127.3	-	59.5
1973	-180.7	137.0	36.7	100.3	208.8	-30.4	529.0	96.9	133.2	-	57.7
1974	-166.7	243.0	90.0	153.0	268.3	59.5	535.5	169.9	128.4	-	59.6
1975	-282.4	208.7	124.1	84.6	187.4	-80.9	424.6	77.1	105.6	-	56.5
1976	-302.6	45.6	79.2	-33.6	-74.6	-262.0	528.0	94.4	105.6	-	55.6
1977	-34.6	56.9	-5.9	6.8	-96.9	-22.3	579.2	85.3	146.8	-	56.4
1978	-86.7	9.8	178.9	-169.1	-174.4	-77.5	580.6	60.9	195.4	-	114.6
1979	-142.6	-10.2	65.7	-75.9	-319.3	-144.9	735.7	65.8	240.6	-	120.7
1980	-166.3	107.1	226.6	-119.5	-369.5	-50.2	760.2	50.8	284.6	-	162.7
1981	-336.8	225.4	240.2	-14.8	-465.1	-95.6	513.8	53.7	336.2	-	170.7
1982	-389.1	465.6	446.0	19.6	-379.0	86.1	423.6	64.1	399.3	-	128.5
1983	-436.0	170.4	300.7	-130.3	-668.1	-289.1	443.4	67.5	406.6	-	109.2
1984	-291.1	482.7	119.8	362.9	-442.4	225.7	289.7	54.0	406.8	-	191.4
1985	-295.8	243.0	174.0	69.0	-515.0	-72.6	295.5	71.4	516.0	-	141.3
1986	-55.6	20.1	-27.7	47.8	-565.9	-50.9	336.4	93.2	594.9	-	139.2
1987	-153.8	360.1	215.6	144.5	-352.9	213.0	466.7	107.6	525.0	-	160.1
1988	32.1	180.6	117.4	63.2	-173.0	179.9	585.9	87.0	593.0	-	163.3
1989	-297.5	137.8	230.0	-92.2	-334.2	-161.2	728.3	123.4	740.0	-	184.2
1990	-328.0	391.3	95.9	295.4	-274.6	59.6	655.8	132.5	764.0	-	183.3
1991	-255.8	172.2	99.2	73.0	-379.8	-105.2	559.8	122.1	858.1	-	285.2
1992	10.9	309.1	-10.0	319.1	-42.6	337.2	524.0	133.1	942.6	-	331.0
1993	-194.2	255.1	-1.5	256.6	70.8	113.4	610.7	114.7	919.0	-	508.8
1994	18.3	354.7	-127.4	482.1	408.3	337.5	702.9	141.7	1068.8	-	595.1
1995	-192.3	203.7	-97.0	300.7	428.0	19.7	679.6	154.4	1092.3	-	651.8
1996	-197.0	469.6	-144.7	614.3	706.6	278.6	-	-	-	-	-

SOURCES: BANK OF JAMAICA BALANCE OF PAYMENTS REPORTS, 1975, 77, 78, 79, 80, 84, 91, 96
ECONOMIC AND SOCIAL SURVEY OF JAMAICA, 1970, 71, 73

APPENDIX 3

SELECTED GROWTH, UNEMPLOYMENT & AGGREGATE DEMAND INDICATORS									
(J\$MN)									
Year	GDP		Private Consumption	Government-Consumption	Investments	NDI	GDP % Growth	Unemploy. % Rate	% Invest./GDP
	Current	Constant							
1961	461.5	7752.91	351	48	98	-	-	-	-
1962	480.86	7886.94	371	54	98	378	1.7	-	21
1963	511.57	8150.39	389	59	92	399	3.2	-	20
1964	547.89	8787.8	446	64	112	421	7.3	-	18
1965	594.28	9494.43	469	70	124	450	7.4	-	20
1966	682.07	9902.63	500	77	146	481	4.1	-	21
1967	723.08	10176.1	532	89	170	514	2.7	-	21
1968	784.57	10636.8	571	105	221	554	4.3	-	24
1969	992.7	11323.79	639	122	315	607	6.1	-	28
1970	1170.6	12816.6	713	137	367	658	11.6	24.3	32
1971	1282.4	13456.1	803	159	356	1025	4.8	24.0	31
1972	1439.1	16522.7	968	197	367	1108	18.6	-	28
1973	1735.4	16760.4	1078	280	448	1298	1.4	21.2	25
1974	2159.2	15988.8	1469	386	478	1566	-4.8	20.5	26
1975	2600.6	15970.3	1723	477	610	2035	-0.1	22.4	22
1976	2701.7	14910.6	1887	562	451	2409	-7.1	24.2	23
1977	2960.2	14555.9	2030	612	350	2386	-2.4	24.5	17
1978	3749.4	14635.2	2387	750	499	2596	0.5	27.8	12
1979	4293.4	14369.3	2714	825	748	3278	-1.9	27.3	13
1980	4773.1	13547.4	3147	966	690	3767	-6.1	25.9	17
1981	5306.9	13898.4	3682	1095	954	4179	2.5	27.4	14
1982	5867.1	14053.9	4034	1228	1168	4762	1.1	26.4	18
1983	6993.2	14373.8	4874	1406	1438	5273	2.2	25.6	20
1984	9358.4	14248.6	6277	1542	1981	6493	-0.9	25.0	21
1985	11674.3	13667	7772	1742	2581	8014	-4.3	23.7	21
1986	13898.2	13898.2	8890	2136	2432	9890	1.7	21.0	22
1987	16640	14981.7	10367	2492	3545	11813	7.2	18.7	17
1988	19458.1	15408.8	12277	3028	4865	13882	2.8	17.7	21
1989	23400.1	16459.6	15598	3241	6538	18437	6.4	15.4	25
1990	30517.6	17359.2	18913	4308	8362	20967	5.2	15.4	28
1991	44905.7	17486.9	26901	5554	11825	26139	0.7	15.8	27
1992	73253.9	17748.7	43325	6878	20494	38553	1.5	16.3	26
1993	97681.3	18000.8	57979	12576	32813	70248	1.4	15.3	28
1994	130055.2	18135.0	-	-	-	100348	0.7	16.5	34
1995	165289.2	18301.4	-	-	-	140277	0.9	16.4	-
1996	202137.7	17987.1	-	-	-	-	-1.7	-	-

SOURCE: ECONOMIC AND SOCIAL SURVEY OF JAMAICA, VARIOUS ISSUES

APPENDIX 4

SELECTED MACROECONOMIC INDICATORS				
YEAR	FISCAL DEFICIT		INFLATION	EXCHANGE
	(SURPLUS)/GDP	TREASURY BILL RATE	RATE	RATE(JUS)
1961	-2.34	-	-	-
1962	-2.68	4.95	-	-
1963	-2.29	4.01	-	0.714
1964	-2.76	3.41	-	0.714
1965	-2.61	4.39	2.9	0.714
1966	-2.73	4.65	2.9	0.714
1967	-3.22	4.68	2.8	0.724
1968	-3.84	4.47	5.4	0.833
1969	-2.07	3.52	5.1	0.833
1970	-2.71	4.03	5.4	0.833
1971	-3.73	3.81	4.7	0.822
1972	-	4.32	8.2	0.800
1973	-	5.54	26.9	0.909
1974	-	7.19	20.6	0.909
1975	-8.62	6.94	15.7	0.909
1976	-13.05	7.23	8.4	0.909
1977	-15.02	7.21	14.3	0.909
1978	-12.05	8.26	49.4	1.435
1979	-11.62	9.25	19.4	1.767
1980	-14.94	9.97	29.6	1.782
1981	-13.22	9.83	4.6	1.781
1982	-11.79	-	6.5	1.781
1983	-15.94	12.38	16.7	1.932
1984	-5.67	13.29	31.2	3.943
1985	-5.65	19.03	23.0	5.559
1986	-1.78	20.88	10.4	5.478
1987	-0.47	18.16	8.4	5.487
1988	-3.51	18.50	8.5	5.489
1989	2.97	19.10	17.2	5.745
1990	2.37	26.21	29.8	7.184
1991	3.96	25.56	80.2	12.116
1992	4.00	34.36	40.2	22.960
1993	3.42	28.85	30.1	24.949
1994	3.45	42.98	26.9	33.086
1995	2.18	24.56	25.5	35.142
1996	-9.87	31.69	15.8	37.120

SOURCES: FISCAL DATA - MINISTRY OF FINANCE, JAMAICA
 TREASURY BILL RATES, EXCHANGE RATES - INTERNATIONAL FINANCIAL STATISTICS
 INFLATION RATES - BANK OF JAMAICA'S STATISTICAL DIGEST

APPENDIX 5

MAINSTREAM MIGRATION OF JAMAICANS

1953 - 1996

YEAR	TOTAL	UK	CANADA	USA
1953	2159	2159	-	-
1954	8149	8149	-	-
1955	17257	17257	-	-
1956	17302	17302	-	-
1957	13087	13087	-	-
1958	9982	9982	-	-
1959	12796	12796	-	-
1960	32060	32060	-	-
1961	39203	39203	-	-
1962	22779	22779	-	-
1963	7494	7494	-	-
1964	10760	9560	-	1200
1965	10827	9510	-	1317
1966	13487	7077	1407	5003
1967	22049	8107	3459	10483
1968	24996	4640	2886	17470
1969	23535	2699	3889	16947
1970	22064	2372	4659	15033
1971	20233	1759	3903	14571
1972	18139	1620	3092	13427
1973	21198	1872	9363	9963
1974	25091	1397	11286	12408
1975	20681	1394	8211	11076
1976	17506	1198	7282	9026
1977	18821	1029	6291	11501
1978	23722	599	3858	19265
1979	23519	592	3213	19714
1980	21684	649	3161	17874
1981	26543	421	2553	23569
1982	21745	441	2593	18711
1983	22394	389	2423	19582
1984	22650	349	2479	19822
1985	22165	331	2911	18923
1986	24635	387	4653	19595
1987	27790	378	5421	21991
1988	25138	402	3770	20966
1989	23426	322	4009	19095
1990	24224	394	5002	18828
1991	23440	418	4997	18025
1992	19546	328	5921	13297
1993	23246	288	5989	16969
1994	18424	344	3731	14349
1995	20217	242	3577	16398
1996	16423	262	3138	13023

Source: Economic and Social Survey of Jamaica

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